

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 3310 – SB 3528**

March 24, 2010

**SUMMARY OF AMENDMENT (015601):** Deletes all language after the enacting clause and enacts the Annual Coverage Assessment Act which establishes an annual coverage assessment on hospitals of three and on-half percent (3.5%) of a covered hospital's annual coverage assessment base and shall be paid in equal quarterly installments. The Bureau of TennCare will send a notice of payment and a return form to each covered hospital 30 days prior to the payment due date. A penalty of \$500 per day will be imposed on a hospital that does not pay the assessment by the due date. Creates provisions for the collection of assessments if a hospital ceases to operate after the effective date of the act. Prohibits a covered hospital from increasing charges or adding surcharges based on the annual coverage assessment and prohibits a TennCare managed care organization from implementing reductions in rates for hospitals and physicians by category or type of provider unless mandated by the Centers for Medicare and Medicaid Services (CMS). Creates the maintenance of coverage trust fund consisting of all annual coverage assessment collections and investment earnings credited to the assets of the fund. Funds collected along with federal matching funds shall be expended for benefits and services that are subject to proposed reductions or eliminations from the proposed FY10-11 TennCare budget.

The implementation of the annual coverage assessments is dependent on approval by CMS. Critical access hospitals, state mental health hospitals, rehabilitation and long-term acute hospitals, St. Jude Children's Research Hospital, and state and local government hospitals are exempt from the annual coverage assessment. Beginning September 1, 2010 and on a quarterly basis thereafter, requires TennCare to report the status of the determination and approval by CMS, the balance of the funds, and the extent to which the funds have been used to the Select Oversight Committee on TennCare, both Finance, Ways, and Means Committees, the Senate General Welfare, Health, and Human Resources Committee, and the House Health and Human Resources Committee. The provisions of the bill will take effect upon becoming law and will expire on June 30, 2011.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures – Not Significant

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue - \$310,000,000/Maintenance of Coverage Trust Fund/FY10-11**

**Increase State Expenditures - \$310,000,000**

**/Maintenance of Coverage Trust Fund/FY10-11**

**Increase Federal Expenditures - \$582,788,300**

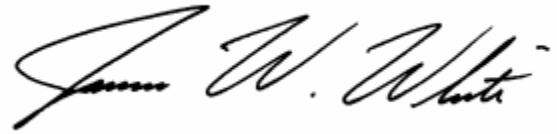
**/Maintenance of Coverage Trust Fund/FY10-11**

Assumptions applied to amendment:

- According to the Bureau of TennCare, it is not possible to make a definitive estimate of the revenue that will be produced by the annual coverage assessment on the “net patient revenue” as defined in the proposed bill as amended.
- It is assumed that at a minimum, revenue will be collected in an amount sufficient to replace the specified budget cuts and make special hospital payments required by the provisions of the proposed bill as amended.
- It is reasonably estimated that there would be an increase in revenue to the maintenance of coverage trust fund of at least \$310,000,000 from the annual coverage assessments imposed on the covered hospitals.
- According to the Bureau of TennCare, \$230,000,000 of this amount will be expended towards replacing the estimated budgeted reductions as specified in the proposed bill as amended and \$80,000,000 will be expended towards unreimbursed costs of providing services to TennCare enrollees.
- According to the Bureau of TennCare, the \$230,000,000 will be expended at a state rate of approximately 34.901 percent and will receive federal matching funds at a rate estimated at 65.099 percent resulting in an increase in federal funds of \$429,006,905 for a total increase in expenditures of \$659,006,905 in the maintenance of coverage trust fund towards replacing the budgeted reductions as specified in the proposed bill as amended.
- It is estimated that the additional \$80,000,000 will be applied at a state rate of approximately 34.22 percent and will receive federal matching funds at a rate estimated at 65.78 percent resulting in an increase in federal funds of \$153,781,414 for a total increase in expenditures of \$233,781,414 in the maintenance of coverage trust fund to be expended towards unreimbursed costs of providing services to TennCare enrollees.

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/kml